

Entrepreneurs find new resources on road to success

Investors want a track record, bootstrapping an alternative

By CLAUDE SOLNIK

The directionally challenged use global positioning systems to point them to desired destinations. Dave Slott, president of MobileView Technologies based in Oceanside, hopes GPS will lead him to profitability.

MobileView gives a business a comprehensive view of all company vehicles; fleet managers use elaborate systems to see all their cabs, trucks and school buses on computer screens.

“If a vehicle breaks down, we can diagnose it from the screen,” Slott said. “We can click on the screen and get a diagnostic download.”

While the systems have been generating interest, he needs an injection of capital to grow. “It’s tougher than I thought,” Slott said, “and more expensive.”

Coming up with a lucrative idea is difficult, but, due to an uncertain economy, finding investors can be even harder.

“Everybody has an idea,” said Joseph Campolo, a Smithtown attorney who matches entrepreneurs and investors. He said infatuation with ideas isn’t enough; Investors want to see implementation on a small scale so “there’s already an established track record rather than a hope and a dream that it



Dave Slott is counting on demos to attract investors, customers.

might play out.”

Others said investors are being more methodical than in the dot-com boom days when mere dreams attracted real dollars.

“With the way the economy is, people are being extraordinarily cautious in investing in early-stage companies,” said Jeff Bass, chairman of the Long Island Capital Alliance. “They want to know that the management team is up to the task of growing a company.”

Bass said investors want mission statements, a connection between the company and prospective customers and financial statements or projections.

“They’re looking at a legitimate, kick-the-tire, real-world path to profitability and cash flow,” Bass said. “There are always a lot of ideas. People now are doing more due diligence.”

In the New York metropolitan area, firms obtained \$385 million, down 12 percent from the prior quarter. Nationally, venture capitalists invested \$7.1 billion in the third quarter of 2007, down from \$7.2 billion a year ago, according to PricewaterhouseCoopers and the National Venture Capital

Association.

Robert Strum, managing partner of PWC’s Long Island office, said VC is here, but “the key is to encourage these funds to place more investment dollars locally.”

Help may be on the horizon. The Long Island Software and Technology Network is teaming with Stony Brook University and others to create an angel network to connect investors with start-ups. The New York State Foundation for Science,

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Technology and Innovation agreed to contribute \$250,000 to the Long Island Forum for Technology to launch a \$1 million Long Island “seed” stage investment fund. LIFT must raise the additional \$750,000.

Angel investors typically provide up to \$500,000 for equity, depending on valuations.

“The valuation for early stage companies is going to be very low,” Bass said. “The value has yet to be truly demonstrated.”

While funds provide some money, Bass said most entrepreneurs have to tug themselves up by their own bootstraps and bank accounts without traditional loans since “they don’t have any financial history.”

Instead, people typically fund start-ups through savings, credit cards, family and friends.

Good ideas don’t always turn into good businesses, but Campolo said business people don’t give up.

“True entrepreneurs, if their ideas fail, pick themselves up, dust themselves off and move on to the next idea,” he said.

Campolo helped a software firm, which sold its product to a bank, sell a stake to that bank, which “decided to make a substantial investment,” valued at \$30 million including a licensing agreement and private equity.

Meanwhile, MobileView is installing free demos at limo, cab, trucking and bus companies to appeal to investors and get customers.

“We have a couple of investors who are very interested,” Slott said. “But they want to see cars on the road. They want to see results.” ■